D-7985

THE SHANGHAI TIMES, MONDAY, AUGUST 2, 1937

Wu Chi-ting Is Absolved Of Blame In Cotton Case

Charges Of Speculation Are Withdrawn By Public Procurator Of First District Court; Second Decision Frees Mr. Sheng Sheng-i

After lengthy investigation, the Public Procurator of the Shanghai First District Court has decided to drop the charges of speculation on the Shanghai Cotton Goods Exchange against Mr. Wu Chi-ting, Director of the Internal Revenue Administration, and Mr. Sheng Sheng-i, Director of the Consolidated Tax Bureau for Kiangsu, Chekiang and Anhwei.

The charges are turned down on the ground that the evidence against Mr. Wu is inadequate, while that against Mr. Sheng is based merely on hearsay.

In a report to the Court, the Procurator recalls that the charges were made against the accused by Mr. Wu Ting-chang, Minister of Industry, who personally investigated, in conjunction with representatives of Central Party Headquarters and the Control Yuan, the suspension of transactions on the Chinese Cotton Goods Exchange in June last.

The accused were charged with violation of Article 134 of the Criminal Code, and Articles 49 and 52 of the Exchange Law.

With reference to the charges against Mr. Wu Chi-ting, the Procurator states that the only evidence in support of the charges is a note found in the book of one of the exchange brokers, to the effect that the store "Yuan Chi" acts on behalf of "Wu Chi-ting."

Dealt In Bonds

The Procurator, however, ascertained that Yuan Chi only dealt in bonds and not in cotton. Moreover, the amount of transactions of this firm was so small that it could not have caused the suspension of transactions on the Exchange. While Mr. Wu may be given an administrative reprimand in accordance with the first portion of Article 49 of the Exchange Law, he cannot be charged with speculation.

As to the charges against Mr. Sheng Sheng-i, the Procurator states that the charges are based on hearsay. According to the evidence of Mr. Mu Ou-chu (H. Y. Moh), Chairman of the Board of Directors of the Exchange, Mr. Wang Hsiao-lai, Chairman of the Shanghai City Chamber of Commerce, and Mr. Yu Ya-ching, veteran civic leader, "it is said" that Sheng speculated on the Exchange. They were, however, unable to give details in support of their statements. Since hearsay is no evidence, the charges against Mr. Sheng cannot be established.—Kuo Min.

Counts Against Wu And Sheng Are Dismissed

Court Finds Evidence Inadequate, Based On Hearsay

After lengthy investigation, the Public Procurator of the Shanghai First District Court has decided to drop the charges (of speculation on the Shanghai Cotton Goods Exchange) against Mr. Wu Chi-ting Director of the Internal Revenue Administration, and Mr. Sheng Sheng-I, Director of the Consolidated Tax Bureau for Kiangsu, Chekiang and Anhwei.

The charges are turned down on the ground that the evidence against Mr. Wu is inadequate, while that against Mr. Sheng is based merely on hearsay.

In a report to the court, the procurator recalls that the charges were made against the accused by Mr. Wu Ting-chang, Minister of Industry, who personally investigated, in conjunction with representatives of Central Party Headquarters and the Control Yuan, the suspension of transactions on the Chinese Cotton Goods Exchange in June last.

The accused were charged with violation of Article 134 of the criminal Code, and Articles 49 and 52 of the Exchange Law.

With reference to the charges against Mr. Wu Chi-ting, the procurator states that the only evidence in support of the charges is a note found in the book of one of the exchange brokers, to the effect that the store "Yuan Chi" acts on behalf of "Wu Chi-ting."

The Procurator, however, ascertained that Yuan Chi only dealt in bonds and not in cotton. Moreover, the amount of transactions of this firm was so small that it could not have caused the suspension of transactions on the Exchange. While Mr. Wu may be given an administrative reprimand in accordance with the first portion of Article 49 of the Exchange Law, he cannot be charged with speculation.

As to the charges against Mr. Sheng Sheng-I, the Procurator states that the charges are based on hearsay. According to the evidence of Mr. Mu Ou-chu (H. Y. Moh), Chairman of the Board of Directors of the Exchange, Mr. Wang Hsiao-lai, Chairman of the Shanghai City Chamber of Commerce, and Mr. Yu Ya-ching, veteran civic leader, "it is said" that Sheng speculated on the exchange. They were, however, unable to give details in support of their statements. Since hearsay is no evidence, the charges against Mr. Sheng cannot be established.

23298

THE NORTH-CHINA DAILY NEWS, MONDAY, AUGUST 2, 1937.

INQUIRY INTO COTTON EXCHANGE COMPLETED

Mr. Soong Keng-san, Procurator of the First Special District Court, has completed his investigations into the alleged speculative manipulations of cotton exchange by Messrs. Wu Chi-ting and Sheng Sheh-yih, respectively the director of the internal revenue office of the Finance Ministry, and of the Kiangsu, Chekiang and Anhwei Consolidated Tax Office, and has announced that, for lack of sufficient evidence, no legal proceedings will be instituted against either Mr. Wu or Mr. Sheng.

23294

7985
29 7 37

The Shanghai Evening Post & Mercury, Wednesday, July 28, 1937

Cotton Exchange Inquiry Pushed

Procurator Visits Two Banks To Inspect Checks, Drafts

Another step was taken by the the First Special District Court in the inquiry into cotton exchange manipulations yesterday when Procurator Sung Ken-san, accompanied by an interpreter and an accountant, called on the Hongkong and Shanghai Bank and the Peninsular and Oriental Banking Corporation to investigate into bank checks used by brokers in the exchange.

In the Hongkong and Shanghai Bank, it is reported, Mr. Sung was received by the manager, who showed him all the vouchers of checks and drafts used in the exchange, for a thorough investigation.

Later the procurator proceeded to the Penisular and Oriental Banking Corporation, where he put a few questions to its Chinese compradore, Mr. Hsu Mou-tang and made a similar study of the vouchers of bank checks and drafts.

The inquiry was started last month following confusion on the cotton market as a result of alleged speculative manipulations by powerful interests. Subsequent investigations by the Ministry of Industry implicated two high officials of the Ministry of Finance, Messrs. Wu Chi-ting and Sheng Sheng-yi.

In order to make a thorough probe into the irregularities, General Chiang Kai-shek ordered the case to be handed over to the First Special District Court, in which four open hearings have already been held.

7985
26 7 37

The Shanghai Evening Post & Mercury, Wednesday, June 23, 1937

Cotton Exchange Inquiry Pushed

Books Of Some Brokers Showing Big Tradings Under Scrutiny

Several brokers of the Chinese Cotton and Cotton Goods Exchange have been singled out for thorough investigations by the Nanking officials engaged in the inquiry into charges of wild manipulations on the market which caused an unprecedented confusion two weeks ago.

From the accounts of one of the brokers, it is said, the authorities found the largest volume of transactions. The books of that broker, which show business connections with two large banks in Shanghai, are under close scrutiny to ascertain charges that influential speculators had carried out their operations through that brokerage. No details are available today as the officials engaged in the investigations refuse to divulge their findings. Their reports will be sent to he high authorities in Nanking when the inquiry is completed.

Trading resumed on the market as usual. Forty-two of the 63 brokers will be suspended for three days by order of Minister of Industry Wu Ting-chang as from tomorrow. The suspension, ordered by the minister yesterday afternoon following the failure of the brokers to show up for questioning, is expected to curtail the volume of trade for the next there days.

The books of the brokers are still be held by the authorities despite the requests by the brokers for their release in order to enter the accounts yesterday. Minister Wu, however, did not show up at the exchange this morning.

THE NORTH-CHINA DAILY NEWS, SATURDAY, JULY 17, 1937

YARN SPECULATORS WEALTHY

Cheques Bearing Huge Sum Given for Margin

MR. YU YA-CHING ON WITNESS STAND

That wealthy persons were involved in the recent transactions on the cotton yarn market was the opinion of Mr. Yu Ya-ching, who was one of the witnesses at the First Special District Court yesterday during the enquiry into the alleged speculation of the two officials of the Ministry of Finance: Mr. Wu Chi-ting, director of the Internal Revenue Department, and Mr. Sheng Sheng-yi, director of the Kiangsu Consolidated Tax Bureau. The hearing is to be resumed this morning.

According to Mr. Yu, margins amounting to over $20,000,000 were received by the Chinese Cotton Goods Exchange. Several of the cheques given by those who held long positions bore sums as high as several lakhs. In order to facilitate the investigation, these cheques, most of which were drawn on foreign banks, should be traced.

Mr. Yu told the court that he was one of the founders of the exchange. Unfortunately it had become the headquarters of speculators. When the cotton yarn prices soared to $295 a bale, no less than $40,000,000 worth of this commodity was imported into China.

Petition to Generalissimo

In view of the serious effect the abnormal market conditions had on the people, Mr. Yu said he petitioned Gen. Chiang Kai-shek to order a thorough investigation. When officials of the Ministry of Industry, who conducted the enquiries, questioned him, he mentioned the names of Mr. Sheng Sheng-yi, Director of the Kiangsu Consolidated Tax Bureau, Mr. Wu Sai-yuan, director of the Chinese Cotton Goods Exchange and Mr. Hsu Mou-chong, all of whom were then widely rumoured as the group which held long positions.

Mr. Yu said he did not know of a firm called the Seven Star Co. It was, however, suspected that it had been organized by seven persons. He did not know if Mr. Wu Chi-ting, director of the Internal Revenue Department, had been involved in the present case. The official, Mr. Yu said, might have speculated before. He had not mentioned the official's name to the Ministry of Industry.

The aim of the enquiry was to serve a serious warning to the speculators, Mr. Yu told the Procurator. He also told Gen. Chiang Kai-shek of this object in his recent interview in Kuling. It was not his wish to see all those responsible for the recent manipulations go to prison. Mr. Yu then submitted a written statement to the Procurator, saying that all who he wanted to tell [illegible] was [illegible] in it. The contents of the statement were not made known in court, however.

Brokers on Stand

Mr. Chen Kong-ho, an accountant of the brokerage firm, No. 27 of the Chinese Cotton Goods Exchange, told the Procurator that a Mr. Chuang, husband of the Seventh Sister of the Sheng family, together with the Fifth Sister of the family had dealt in cotton yarn through the firm. The transactions, he said, had been settled in April. He said the Fifth Sister did instal a direct telephone between her residence and the firm, but this was later removed. Miss Sheng, he said, lost quite a good deal of money. He denied that Mr. Sheng Sheng-yi had been involved in the dealings.

Mr. Sung Pan-sai, assistant manager of the brokerage firm, said Miss Sheng, the Fifth Sister, had installed a direct telephone connection, and she was the only person who used the 'phone. He denied that Mr. Sheng Sheng-yi had dealings on the cotton yarn market.

23078

7985

19

THE CHINA PRESS, SUNDAY, JULY 18, 1937

Charge Against Officials Asked To Be Dropped

No Tangible Evidence Produced To Show Guilt

A demand that the procurate of the First Special District Court immediately drop charges of cotton market manipulation against Messrs. Wu Chi-ting, director of the Internal Revenue Administration, and Sheng Shen-yi, director of the Kiangsu Consolidated Tax Bureau, were made in the First Special District Court yesterday by a battery of six attorneys representing the accused.

It was maintained that they were innocent of market manipulation and declared that no tangible evidence had been produced to show that they were otherwise.

Attorney Li Ching-fu, appearing for Mr. Wu, hinted that "persons with grudges against Mr. Wu" probably made false entries into a broker's book in order to cause suspicion on the accused. Other attorneys said that the Ministry was "speculating" with "two innocent men" by forcing them to appear in court as criminal defendants.

The session yesterday, heard by Procurator Sung Hen-san, was devoted entirely to the hearing of the defense. Both accused men reiterated their innocence and declared that not since becoming public officials had they speculated on the stock or commodity markets.

In reply to the demands of the attorneys for immediate dismissal of the case, Procurator Sung declared that yesterday's hearing by no means ended the inquiry. He stated that he intended to make a personal examination of the Cotton Exchange books and remanded the hearing sine die.

The Shanghai Evening Post & Mercury, Saturday, July 17, 1937

Lawyers Attack Ministry For Inquiry On Exchange

Defense Heard In First Court

Grudges Against Wu, Sheng Alleged By Attorney

The Ministry of Industry, which prompted the judicial inquiry into alleged cotton market manipulations by Mr. Wu Chi-ting, director of the internal revenue administration, and Mr. Sheng Shen-yi, director of the Kiangsu consolidated tax bureau, this morning was subject to a verbal bombardment by a gallery of five prominent lawyers appearing for the two officials in the procurate of the First Special District Court.

Charges that the Ministry was "speculating" in the court by bring two "innocent officials" into court as criminal defendants without any evidence were hinted by Attorney Chin Lien-kwei, appearing for Mr. Wu. That "persons who cherish grudges against Mr. Wu" have probably altered a broker's book to cast a shadow on the internal revenue administration director, was another suggestion given by Attorney Li Ching-fu. The other lawyers collaborated in demanding an immediate ruling by the procurate to drop the charges against the two accused.

The session before Procurator Sung Ken-san this morning was devoted entirely to the hearing of the defense. After the two officials have reiterated their innocence, the five lawyers spoke one by done. They declared that the Ministry of Industry has failed to bring evidence against the accused and has based the charges on hearsay and rumors.

Procurator Sung, however, announced that the pleading this morning does not mark the conclusion of the inquiry. He intends to examine the books of several banks and may hold another session before he draws his indictment or issues the ruling dropping the charges against the accused.

The courtroom was this morning packed to capacity by interested persons concerned with the cotton market and the accused and press representatives.

THE NORTH-CHINA DAILY NEWS, SUNDAY, JULY 18, 1937

EXCHANGE INQUIRY IS NEAR END

Two Officials Again Deny Cotton Manipulations

Investigations into the alleged cotton manipulations of Messrs. Wu Chi-ting and Sheng Shen-yi, respectively director of the internal revenue department and of the consolidated tax bureau, were almost brought to a conclusion by Procurator Soong Keng-san of the First Special District Court yesterday when the questioning of all witnesses was completed. If not necessary, no more session would be held, Procurator Soong said at the end of yesterday's hearing. The decision was reserved, however, as to whether the evidence would be sufficient to justify legal proceedings against the two officials or otherwise.

Both Messrs. Wu and Sheng were questioned again yesterday and again both emphatically denied having been involved in the alleged speculations and manipulations in cotton and yarn. They told the Procurator that they had never had transactions on the market, and requested that impartial inquiries be conducted so as to uphold righteousness. Their statements were followed by those of their respective lawyers who said that the evidence being far from sufficient, no legal proceedings should be instituted against their clients. Mr. Sheng added that, having lived separately from his brothers and sisters, he had no knowledge whether two of his sisters had had any transactions on the cotton yarn market.

23062

7985
17 7 37

The Shanghai Evening Post & Mercury, Friday, July 16, 1937

Cotton Speculation Inquiry Continued At District Court

Speeding up its inquiries into the alleged manipulations on the Chinese Cotton and Cotton Goods Exchange, the procurate of the First Special District Court this morning questioned three witnesses, including Mr. Yu Ya-ching the doyen of Chinese businessmen in Shanghai.

The inquiry will be resumed tomorrow morning when the two accused, Mr. Wu Chi-ting, director of the Internal Revenue Administration, and Mr. Sheng Shen-yi, director of the Kiangsu Consolidated Tax Bureau, will be questioned again. The two Ministry of Finance officials are now held on $10,000 and $20,000 bail respectively.

Six witnesses were summoned for the session this morning but only three appeared. One of the absentees is now in Kuling. Mr. Yu told Procurator Sung Keng-san, who is handling the inquiry, that he heard rumors that "Shing Lau Tsi" or Mr. Sheng Shen-yi, was a speculator in long position. The other two witnesses denied knowledge of the alleged speculation by the two officials.

DR

Mr. Yu Ya-ching Testifies In Manipulation Case

Leader States That Manipulations Endangered The Livelihood Of People And He Therefore Was Forced To Report To Generalissimo

"The recent cotton manipulations, which gave a chance to foreign importers to flood the Chinese market with over $40,000,000 worth of cotton and thereby endanger the livelihood of thousands of people, forced me to report the matter to the Generalissimo."

The above statement was made yesterday by Mr. Yu Ya-ching, doyen of Chinese members of the Shanghai Municipal Council in the First Special District Court when he appeared as a witness during the investigation into the alleged manipulations of two high officials of the Ministry of Finance. Hearing will be resumed this morning when Mr. Wu Chi-ting and Sheng Shen-yi, director of the Kiangsu Consolidated Tax Bureau, the two suspects, are expected to present their arguments.

Men of Means

Mr. Yu further told the court that the trouble could only be created by those who had ample means at their disposal and because of this he reported the matter to General Chiang Kai-shek. In his conversations with officials of the Ministry of Industry investigating the scandal he said that hearsay had it that Messrs. Sheng Shen-yi, Wu Shui-yuan and Hsu Mow-chang were speculators, in long position. Being officials of the Government, Mr. Yu said, Messrs. Sheng and Wu Shui-yuan should not have been engaged in speculation.

Cheques issued to brokers were mostly drawn on foreign banks and it was because of this fact that the case had to be referred to the court which was in a better position to investigate. Mr. Yu said that his purpose of bringing out the case was not primarily for giving punishment to speculators, but to warn them. General Chiang Kai-shek agreed with him, he concluded. After his speech Mr. Yu gave a written statement to the court.

FM. G. 40M-5

SHANGHAI MUNICIPAL POLICE.

SECRET

REPORT

File No.

S2, Special Branch

Date July 14 1937.

Subject Cotton Goods Exchange Scandal.

Made by and Forwarded by Supt. Tan Shao Liang

Further to reports dated July 5 and 6, only two Chinese officials, Messrs. Wu Chi Ting and Sheng Shen Yi, who had been detained at Nanking since June 30, were sent to Shanghai on July 8 to undergo a preliminary investigation by the 1st Special District Court.

Mr. Wong Hsiao Lai was only summoned to Court as a witness together with others including Mr. Yu Ya Ching. It is doubtful that the evidence available would be sufficient to establish a case against the accused and according to rumours, the two men were only acting as agents for Madam H.H.Kung and therefore a thorough investigation is not likely to be successful.

DC (G)

Mr. Chen Pao Hwa, the Nanking Agent, has failed to apply for the Court order to investigate into the accounts of several brokers whom he has reasons to suspect and this clearly indicates that the authorities have realised some difficulties in going through the investigations.

15 JULY 1937 SHANGHAI

It is reported from a reliable source that Dr. H.H. Kung has been ordered by General Chiang Kai Shek to expedite his mission in Europe and return to China and rumours are prevalent that this is probably due to the Cotton Exchange scandal in which important officials of the Ministry of Finance have been involved.

Observers believe that the official investigations carried out at Kuling, Nanking and Shanghai will effectively check the speculations at least for the time being.

FILE

Tan Shao Liang

Superintendent.

D. C. (Special Branch) 14/7

22995

Judicial Inquiry Into Speculation Continues Thursday

The third session of the inquiry into the alleged manipulation by Mr. Wu Chi-ting and Mr. Sheng Shen-yi, Ministry of Finance officials, on the Cotton and Cotton Goods Exchange, will be held on Thursday morning at the First Special District Court, it is announced today. Mr. Yu Ya-ching, doyen of Chinese businessmen who is arriving from Kuling, will be summoned to attend the session as a witness, it is understood.

Released on $20,000 and $10,000 cash security respectively, Mr. Sheng, director of the Kiangsu Consolidated Tax Bureau, and Mr. Wu, director of the Internal Revenue Administration, have returned to their offices as usual after a brief interruption since their trip to Nanking under orders of General Chiang Kai-shek for a thorough investigation into charges against them.

23019

The Shanghai Evening Post & Mercury, Monday, July 12, 1937

* * *

Mr. Tu Yueh-sen Here From Kuling Talks

Following conferences with General Chiang Kai-shek on the cotton market situation, Mr. Tu Yueh-sen, a director of the Chinese Cotton and Cotton Goods Exchange, arrived from Nanking by train via Nanking last night. Mr. Yu Ya-ching, also summoned to Nanking for the conference, is due to arrive by boat this afternoon.

* * *

DR

SHANGHAI MUNICIPAL POLICE
S. B. D. 7985

THE SHANGHAI TIMES, MONDAY, JULY 12, 1937

YU YA-CHING SEES GEN. CHIANG

Reports On The Crisis In Shanghai's Cotton Goods Exchange

KULING, July 11.—Mr. Yu Ya-ching, one of the leading members of the Shanghai community, arrived here yesterday from Shanghai in response to a summons from General Chiang Kai-shek, President of the Military Affairs Commission. Mr. Yu reported to General Chiang on the recent crisis on the Chinese Cotton Goods Exchange in Shanghai.

Interviewed, Mr. Yu said that it is difficult for merchants to provide cash even for $80,000 or $100,000 on the Exchange. During the recent crisis, however, some of the cheques amounted to several million dollars. This indicated that influential persons were behind the speculations. While he hoped that the situation will not become worse, he said that the investigations should be pushed to their logical conclusion.

According to Mr. Mu Ou-chu (H. Y. Moh), Chairman of the Board of Directors of the Exchange, the recent trouble was caused not by large buyers of cotton but by speculators. As his duties were only concerned with the brokers, he did not know what the relations between the brokers and their clients were.—Kuo Min.

THE NORTH-CHINA DAILY NEWS, SATURDAY, JULY 10, 1937

BAIL ARRANGED FOR OFFICIALS

Judicial Enquiry Continued by Chinese Court

VIGOROUS DENIAL OF ANY SPECULATION

Bail of $20,000 and $10,000 were fixed by Procurator Sung Keng-shan of the First Special District Court for Mr. Wu Chi-ting and Mr. Sheng Sheng-yi respectively yesterday, when the judicial enquiry into the alleged speculation of the two officials of the Ministry of Finance on the cotton yarn market was further adjourned.

Both Mr. Wu, Director of the Internal Revenue Department of the Ministry of Finance, and Mr. Sheng, Director of the Kiangsu Consolidated Tax Bureau, who were escorted to Shanghai the previous night from Nanking where they had been placed under surveillance, were denied any connection with any broker or any transaction on the cotton exchange.

Mr. Chen Yueh, representing the Ministry of Industry, which launched the first official investigation, told the Procurator of the difficulty the Ministry had experienced in its attempt to examine accounts and cheques held by banks and asked the Court's assistance in this connection. He then submitted a written statement to the Court on the findings of the Ministry.

Court Packed

Yesterday's hearing began at 9 a.m., the court-room being packed to capacity with lawyers, newspaper men, business men and brokers. Among the witnesses questioned were Mr. Wen Lan-ting, Mr. Wang Hsiao-lai, Mr. Shao Wen-mei, and Mr. Chen Kong-shan. Several others, including Mr. Yu Ya-ching and Mr. Chen Ching-tao, were absent. It was revealed in Court that they had been summoned to Kuling by Gen. Chiang Kai-shek.

While Mr. Wen, executive member of the Chinese Cotton Goods Exchange, disclaimed any knowledge as to who had actually participated in the recent speculation, Mr. Wang Hsiao-lai, Givernment Supervisor of the Exchanges, told the Procurator that it had been widely reported on the market that Mr. Sheng Sheng-yi had big transactions on the market. During the investigation by the Ministry of Industry, he related this to the Minister.

Mr. Shao Wen-mei, Vice-Chairman of the Cotton Goods Exchange Brokers Association, told the Procurator that it was reported on the market that the Broker No. 27 had been acting for the Sheng family. Other brokers said to have been involved in these dealings included No. 15, No. 35, No. 50, No. 52, No. 42 and No. 57.

Officials Questioned

The Director of the Consolidated Tax Bureau for Kiangsu was then questioned. After explaining to the Procurator that he had been prevented from attending the first judicial enquiry owing to his absence from Shanghai, Mr. Sheng expressed surprise that his name had been linked with the market manipulations. He said people might have grievances against him and spread wild rumours on the market. Sometimes even officials holding such positions as minister and president were named as the guilty parties in these rumours. Hereupon the Procurator told him that he had been summoned to Court as a result of the investigation by the Ministry of Industry, and not [illegible]

Mr. Sheng said he did not know the broker named Hsu Mou-chang, but he knew a Mr. Hsu Mou-tang who is not a broker. He did not know any broker and he had no knowledge of the Seven Star Co., which was alleged to be responsible for the manipulations.

Mr. Wu Chi-tang, Director of the Internal Revenue Department, likewise denied any part in market transactions. He did not know why the brokerage firm, Yuan Dah, had put his name on its account book.

Broker on Stand

Mr. Chen Kong-shan, Broker No. 27, who was alleged to have handled Mr. Sheng's dealings, said the official's sister, Miss Shen, the fifth sister, had transactions on the market, but not the official himself. She began trading on the market in February and March this year, and the quantity of yarn at each transaction amounted to 2,000 or 3,000 bales.

In his written statement to the Procurator which was made known later, Mr. Chen Yueh, Counsellor of the Ministry of Industry, named a group of witnesses who had informed the Ministry of the market report which was to the effect that Mr. Sheng Sheng-yi had been carrying on business on the market on a large scale. Mr. Sun Peng-say, shareholder of Brokerage Firm No. 27, had informed the Ministry that the Sheng family had installed direct telephone connection with the firm, but this was later removed.

Mr. Chen further stated that in order to protect officials involved in market transactions and the brokers against Government prosecution, precautions had been taken by them to see that none of these officials' names were put down in black and white on any document. During the Ministry's investigation, many a broker refrained from giving detailed information to the Ministry.

22977

THE CHINA PRESS, SUNDAY, JULY 11, 1937

Meet Generalissimo

Mr. Tsou Lin (left), Vice-Minister of Finance, and Mr. [illegible]-chang (right), Minister of Industries, are shown above as they were leaving the residence of General Chiang Kai-shek in Nanking after having reported to the President of the Executive Yuan on the recent cotton market crisis in Shanghai.—International News photo.

DR

22908

7985
3

The Shanghai Evening Post & Mercury, Thursday, July 8, 1937

Mart Jugglers' Trial Demanded

Punishment Urged Here By Local Bodies; Message Sent

Clamoring for drastic punishment of market manipulators and equal treatment for everyone accused of having speculated on the Cotton and Cotton Goods Market, the Chinese Industrial Association telegraphed a petition to General Chiang Kai-shek in Luling yesterday. The petition was so worded that it was interpreted to indicate agitation against the failure of Mr. Wu Chi-ting, director of the internal revenue administration, and Mr. Sheng Shen-yi, direcor of the Kiangsu Consolidated Tax Bureau, to attend the judicial inquiries which will be resumed tomorrow morning at the First Special District Court.

The Association, in the petition, demanded a thorough judicial inquiry and the punishment of the manipulators in order that judicial dignity might be maintained.

Kuling, however, is now becoming center of the inquiry with General Chiang Kai-shek, president of the Executive Yuan, taking a personal interest in the matter. Mr. Tu Yueh-sen, a director of the cotton exchange, arrived at Kuling yesterday to confer with the generalissimo on the exchange troubles. Madame H. H. Kung, wife of the finance minister, accompanied by Mr. T. L. Soong, finance commissioner of Kwangtung and her ycunger brother, arrived in Kuling by air yesterday.

Following the shart decline of cotton and cotton yarns on the market yesterday with the prices of the latter showing a $50 drop as compared to the high of June 8, the quotations showed a light recovery during the trading this morning. The yarn prices went up $2 while the cotton prices gained by 10 cent as compared to the closing rates yesterday.

22864

NORTH-CHINA DAILY NEWS, TUESDAY, JULY 6, 1937

ENQUIRY INTO YARN TRANSACTIONS

Conflicting Reports Before Generalissimo

TWO MINISTERS PRESENT CASES

About two weeks after the investigation conducted by Mr. Wu Ting-chang, Minister of Industry, which resulted in the detention of two officials of the Ministry of Finance on the suspicion of being involved in the transactions on the cotton yarn market, Mr. Tsou Lin, Vice-Minister of Finance, has conducted a personal enquiry, also at the Cotton Goods Exchange.

Both the two ministers proceeded to Kuling yesterday to interview Gen. Chiang Kai-shek on the matter. While the Minister of Industry had forwarded his report on the findings of his recent investigation, the Vice-Minister of Finance, in addition to his earlier telegraphic petition to the Generalissimo, absolving the two officials of the Ministry from complicity in market manipulations, carried to the summer resort a statement by all the brokers of the cotton exchange substantiating his petition.

The statement was said to have been prepared by the Vice-Minister of Finance after the conclusion of his enquiry. All the brokers were required to sign their names on it, saying that none of the two officials held in the capital had had any transaction on the cotton yarn market.

The two officials alleged to have been involved in the manipulations are: Mr. Wu Chi-ting, Director of the Internal Revenue Department of the Ministry of Finance, and Mr. Sheng Sheng-yi, Director of the Consolidated Tax Office for Kiangsu.

The judicial enquiry was started at the First Special District Court last Saturday, when several witnesses, including a representative of the Ministry of Industry, were questioned by a procurator. The two officials were not present, however. The proceedings are to be resumed.

The Minister of Industry flew from Nanking to Kiukiang in a C.N.A.C. aeroplane at 9 a.m. The Vice-Minister of Finance left here by aeroplane for the same destination at 7.30 a.m.

Mr. Tu Yueh-sung, chairman of the Shanghai Civic Association, who left for Nanking on Sunday night, might also proceed to Kuling in connection with the enquiries.

FORM NO. 3
G. 10 11-35

File No.

SHANGHAI MUNICIPAL POLICE.

S.2, Special Branch

REPORT

Date July 6 1937.

Subject (in full) Cotton Goods Exchange Scandal.

Made by & Forwarded by Supt. Tan Shao Liang

Mr. Chen Pao Hwa, the Nanking Political Agent, called at this office this morning stating that Mr. Hsu Ung Chen (徐恩曾), member of C.E.C. of the Kuomintang, on instructions from the Central Tangpu, has arrived here to assist in the investigation of the Cotton Goods Exchange scandal.

Mr. Hsu proposes to visit the houses of the several brokers in the Settlement to ascertain the number of telephones installed on the premises and if possible to see their account books. He or the party charged with the investigation will bring a letter from the Police Bureau to the S.M.P. applying for assistance. I replied that I would report the matter to my superior for instructions but most probably a Court Order would be necessary.

I

CP.

Tan Shao Liang

Superintendent.

S2

Court process necessary & they should apply in advance

-6 JULY 1937

D. C. (Special Branch)

II

DC Sp Br.

Mr Chen informed accordingly

6/7 Tan

-6 JULY 1937

FM. 3
G. 40M-9-35

SECRET

SHANGHAI MUNICIPAL POLICE.

File No.....

S.2, Special Branch ~~Station~~;

REPORT

Date July 5 1937.

Subject Chinese Cotton Goods Exchange Scandal.

Made by & Forwarded by Supt. Tan Shao Liang

S2.

Further on due course. How McWong Sing Lai been finished with?

CP. M 5/7

D.C. (C)

As the result of several investigations held in Shanghai by Minister Wu Ting Chang and other deputies of the Ministry of Industry of Nanking into the trouble of the Cotton Goods Exchange, a report was submitted to General Chiang Kai Shek in which it was alleged that several officials connected with the Ministry of Finance had been involved in the Cotton Exchange turmoil and that several cheques bearing huge amounts had been seized as evidence against them.

To start with the investigations at Nanking, two prominent officials of Shanghai were summoned to the capital and have since been detained. They are Messrs. Wu Chi Ting and Sheng Shen Yi. The former is the Director of the Internal Revenue Administration whose appointment was based on the recommendation of Mr. T.V.Soong, and Sheng, the other prisoner, Director of the Kiangsu Consolidated Tax Bureau, is the 7th son of the late Sheng Kung Pao who was appointed to the post on the recommendation of Madame H.H.Kung.

Despite the press report on Saturday that the two prisoners would be sent back to the 1st Special District Court for trial, they are still being held at Nanking and their families have been approaching Madame Kung for assistance. Madame Kung is the edler sister of Madame Chang Kai Shek and Mr. T.V.Soong. Hence the creation of various rumours.

Despite of what has happened locally and at Nanking the position of Dr. H.H. Kung as Minister of Finance is not shaken and his policy whatever it may be, to obtain foreign loans etc. will always be supported by General Chiang Kai Shek. The latter will only trust two of his relatives, viz : Dr. H.H.Kung and Mr. T.V.Soong in the handling of the finances in the country

FM. G. 40M-9 35

File No.....

SHANGHAI MUNICIPAL POLICE.

.....Station,

REPORT

Date.....19

Subject.....

.....

Made by..... Forwarded by.....

It is correct that David Kung or better known as Kung Ling Kai in Chinese circles, the eldest son of Dr.H.H.Kung, was appointed special secretary of the Ministry of Finance on the departure of the Minister from China. David Kung has an office in the Central Bank of China on the Bund and takes charge of all affairs concerning the Ministry of Finance in Shanghai. Sometimes he has to seek the advice of his mother, Madame Kung, in important matters. Although young, David Kung is known as a very able banker and is beloved by his subordinates. There is no confirmation of the dissension among the staff of the Central Bank.

Regading the Cotton Exchange trouble, the Social Bureau acting on instructions from Nanking have carried out the following measures :

Wong Hsiao Lai, Supervisor of the Exchange appointed by the Ministry of Finance, and Yu Kai Chan, Supervisor appointed by the Ministry of Industry, severely reprimanded for negligence.

Wu Jui Yuen, the Director of the Exchange, dismissed from post.

In addition, the registration of three broker hongs were cancelled, one temporarily suspended and nine others fined $5000 each.

The investigations at Nanking and Shanghai have not yet been concluded and it is believed that a number of officials and brokers have to pay heavily for what they have made in the Cotton Exchange gambling.

Superintendent.

D. C. (Special Branch)

DBL 5/7

FM. 2
G. 45M-1-36

File No. 7935

SHANGHAI MUNICIPAL POLICE.

SECRET

Section 1, Special Br. Station,

REPORT

Date July 1, 1937

Subject Chinese Cotton Goods Exchange Scandal.

Made by and Forwarded by D.S.I. Coyne

With reference to reports which have appeared in the local Foreign and Chinese Press regarding an official investigation into the activities of a number of brokers on the Chinese Cotton Goods Exchange resulting in their suspension or the imposition of a fine, and the referring of officials of the Exchange to the Officials Diciplinary Committee, efforts have been made to obtain further information about the affair.

The Compradore of one of the leading Foreign banks states that the case is by no means closed, and it is probable that legal proceedings will be prosecuted in a Court of Law. Opposed to this opinion, however, is the statement made by a Chinese official who alleges that it is well known in official circles that the disturbance was brought about by the manipulations of brokers operating on the instructions of members of the Kung family, who have recently been handling the finances of the country as if they were a family matter.

S2
Can you add more detail?

This expose is believed to have been engineered by factions in Nanking opposed to the Kung-Soong financial combine, with a view to discrediting Dr. H.H. Kung. The chief reason for this is said to be the objection of a number of members of financial circles to the raising of a loan in London on the grounds that, in the first place, China does not require the money, and secondly, the raising of a loan by Dr. Kung would give the Kung family a strangle hold on China's finances for years to come. In support of this growing opposition to the Kung-Soong regime, a number of stories are in circulation regarding their lack of concern for China's newly acquired financial prestige.

SPECIAL BRANCH
2 JULY 1937
SHANGHAI MUNICIPAL POLICE

FM. 2
G. 45M-1-36

File No. .....

SHANGHAI MUNICIPAL POLICE.

Station,

REPORT

-2-

Date.....19

Subject.....

Made by..... Forwarded by.....

One is to the effect that a son and a nephew of Dr. H.H. Kung, youths still in their teens and students of St. John's University, have been appointed to the Board of Directors of the Central Bank. One of them asked the General Manager whether he could have a school friend with him as he felt lonely sitting in a large office all day with nothing to do. When the General Manager obje ted to the appointment of these youths to the Board, it is reported that Mrs. H.H. Kung told him that if he did not like it, he could resign.

In view of these conflicting reports, coupled with the scarcity of reliable information from persons connected with official financial circles, at present it is difficult to say whether the Supervisors of the Exchange, who are in receipt of salary from the Government, will be proceeded against, or whether the case will be closed in the usual manner.

2BR
1/7

[signature]
D. S. I.

D.C. (Special Branch)

22946

THE SHANGHAI TIMES SATURDAY JULY 10. 1937

Preliminary Inquiry Into Cotton Exchange Row

Scandal Involving Official Suspects Is Given Airing In District Court Here; Keen Interest Displayed In Proceedings By Local Business Men

The preliminary inquiry into the recent cotton exchange speculation case involving two official suspects, Messrs. Wu Chi-ting and Sheng Shen-yi, Director of the Internal Revenue Department of the Ministry of Finance and Director of the Kiangsu Consolidated Tax Bureau respectively, was resumed at the First Special District Court yesterday morning. The inquiry was held last week, but the two officials failed to attend.

Yesterday morning's hearing was held at No. 7 Courtroom which was packed to capacity with newspapermen and businessmen who showed keen interest in this case.

After announcing the details of the case, Procurator Sung Keng-shan began to question the witnesses who were summoned to the court yesterday, including Messrs. Wen Lanting, and Wang Hsiao-lai, executive and supervisory members of the local Cotton Exchange, Mr. Shao Wen-mi, chairman of the Cotton Brokers Association, and Mr. Eugene Y. B. Kiang, representing Mr. Yu Ya-ching, who is now in Kuling to report to General Chiang Kai-shek, on the cotton market crisis.

While other witnesses disclaimed any knowledge as to who had actually participated in the recent speculations, Mr. Shao told the procurator that during his recent interview with Messrs. Yen Sheng-yu, and Chen Yu-sheng, director of the Industrial Department and Councillor of the Ministry of Industries, respectively, he had revealed that No. 27 broker had made the largest transactions for the Sheng party. Other brokers involved in the speculations, he further revealed, included Nos. 15, 35, 42, 50, 52, and 56.

Sheng's Denial

Refuting the allegation that he had a hand in the deal, Mr. Sheng said that he had telegraphed to the Ministry of Finance to make investigation into the matter as soon he heard that he had been considered as one of the suspects. He further denied that he is in any way connected with the Kiu Hsin Company which is alleged to be also involved in the speculations.

Mr. Wu Chi-ting confessed that he had never participated in the speculation business since he entered government service. He said he was at complete loss why his name was linked up with the Yuan Ta cotton firm.

The confessions made by No. 27 broker, Mr. Chen Kong-shan, revealed that he did not make any transactions for Mr. Sheng. But the transactions were made in the name of one Miss Sheng, he added.

The session was adjourned at 10.30 yesterday morning.

The Shanghai Evening Post & Mercury, Friday, July 9, 1937

22940

Finance Officers Appear In Court On Chiang Order

Wu Sheng Drive Here To Face Speculation Charges

BOTH RELEASED ON HEAVY BAIL

Witnesses Tell About Transactions; Pair Dodge Jail

Promptly complying with a telegraphic order from General Chiang Kai-shek, president of the Executive Yuan now in Kuling, Mr. Wu Chi-ting, director of the Internal Revenue Administration of the Ministry of Finance, and Mr. Sheng Shen-yi, director of the Kiangsu Consolidated Tax Bureau, arrived from the capital city by motor car at 8 o'clock last night and appeared before the procurate of the First Special District this morning where the judicial inquiry into their alleged part in the Cotton and Cotton Goods Exchang manipulations was resumed.

Mr. Sheng was released after the session on $20,000 cash security while Mr. Wu was required to furnish a security of $10,000. Both officials paid the bail with cash orders on the Ningpo Commercial and Saving Bank 40 minutes after the handing down of the ruling and walked out of the court at 11.10.

Left To Court

Taking a personal interest in the case, General Chiang, after hearing conflicting reports from the Ministries of Industry and Finance, yesterday telegraphed from his Kuling offices that the two ministries were to stop their independent investigations and leave the judicial machinery in sole charge of the case now that the two officials have been referred to the court. Carrying out instructions, Messrs. Wu and Sheng left Nanking at 11 a.m. and arrived here at 8 p.m. A party of Ministry of Finance officers accompanied them in four motor cars.

As the appearance of the two officials before the court brought an important new development into the judicial inquiry, another important step has been taken by the generalissimo. Through Mr. H. Y. Moh, chairman of the board of directors of the Chinese Cotton and Cotton Goods Exchange, now in Kuling, five leading brokers on the cotton market were summoned to Kuling for questioning. Two of them left last night for Kiukiang and one was leaving tonight. A fourth is now in Mokanshan for recuperation and the whereabouts of the fifth Hsu Kuchang, could not be ascertained. The brokers, it is understood, will be required to furnish information to General Chiang on the market manipulations while in Kuling.

Court Packed

Interested spectators, including many speculators who lost heavily during the sudden rise of the cotton and cotton yarn prices last month, taxed the capacity of the small No. 7 Courtroom of the First Special District Court long before the beginning of the session, second since the launching of the judicial inquiry, at 9 o'clock this morning. There was a buzzing murmur when Messrs. Wu and Sheng, accompanied by their four lawyers, walked into the courtroom. Attorneys Yuwen R. Tung and Li Ching-fu appeared for Mr. Wu while Attorneys Ma Shou-wah and Li Chung-fu appeared for Mr. Sheng.

Procurator Soong Keng-san called the court to session at 9.07 with Mr. Wen Lan-ting, the 68-year-old director of the Cotton and Cotton Goods Exchange, as the first witness. Mr. Wen, who was quoted by other witnesses as having declared that Mr. Sheng was a heavy speculator in the long position, denied the statement. At this point, Messrs. Wu and Sheng were asked to leave the court during the questioning of the witnesses.

Rumors Heard

Mr. Wong Hsiao-lai, chairman of the Chinese Chamber of Commerce and a government appointed supervisor of the exchange, was the second one in the parade of prominent figures. He occupied the dock briefly, stating that he has heard rumors about the speculations by Mr. Sheng but did not know any more details. Mr. Eugene Y. B. Kiang, prominent lawyer, appeared next—as a representative for his father-in-law, Mr. Yu Ya-ching, the 71-year-old doyen of Chinese businessmen in Shanghai. Mr. Yu is in Kuling and could not attend the session, Mr. Kiang told the court. Both Messrs. Yu and Kiang are Chinese members of the Shanghai Municipal Council.

Mr. Shao Wen-mei, vice-president of the Cotton Exchange Brokers' Association, followed him in the witness box. He denied having told the Ministry of Industry officials of the rumor that Mr. Sheng was a manipulator but admitted that he mentioned the "Sheng family." He then named Nos. 15, 35, 50, 52, 42 and 57 brokers as those in those in the long position.

Denies Charge

Mr. Sheng, the seventh son of Sheng Kung-pao, Manchu dynasty statesman and multimillionare, was then called before the bench. He stated that he is 37 years old and that he is also known in Shanghai as "Sheng Lao Chih" or "Sheng the Seventh." The procurator explained to him that the case against him and Mr. Wu is being investigated under Article 136 (malfeasance of office) of the Criminal Code and Article 52 (against speculation by public officers and for public officers) of the Exchange Law.

The tax bureau director emphatically denied the charges but explained that upon hearing of rumors on June 25 that their names were mentioned by the Ministry of Industry, he and Mr. Wu telegraphed to General Chiang asking for a thorough investigation. General Chiang replied, asking them to proceed to Nanking. They left the same night and were thus unable to attend the court session on July 5. He has been director of the tax bureau for [illegible] and [illegible] with the Finance [illegible] [illegible] Nanking [illegible]

Wu Denies All

Mr. Wu Chi-ting also denied the charges. When asked specifically if he dealt in government bonds under the name of Yuan Kee A through the brokerage firm of Yuan Dah, he reterated that he is a public officer and did not speculate on anything.

Following him was Chen Kong-shan, No. 27 broker of the cotton exchange. He denied having business connections with the accused but admitted that Mr. Sheng's sister, "Sheng Wu Shiao Che" or "Fifth Miss Sheng" had transactions through him during February and March with the volume of trading being about 2000 to 3000 bales. Another broker, although summoned, failed to appear, as he has left for Kuling.

Difficulties Told

Difficulties encountered in the investigations were met by Mr. Chen Yu, counsellor of the Ministry of Industry, who was another witnessed called. Officials of the Ministry went to the banks for examination of the books in an attempt to trace the identity of the speculators and were told that the Ministry had no jurisdiction over the banks and such investigation may only be made by the court or by the Finance Ministry.

He also declared that most of the brokers are not willing to talk. While public officials engaged in speculation are to be strictly punished, the brokers who handle such transactions for them are also liable to punishment, he explained. Because of fear of punishment, the brokers are reluctant to reveal the truth, he declared. They have evolved such a system for their public official clients, he continued, that they don't have to sign the orders nor pay immediately. This system is known as the "flexible system."

Case Adjourned

At this point, the procurator decided to adjourn the case and announced that he required Messrs. Wu and Sheng to furnish bail of $10,000 and $20,000 respectively. A request that they be exempted from the bail as they are public officials was turned down by the procurator who remarked that before law every one is equal. Mr. Sheng readily agreed to put up the bail, adding that he hopes for the early conclusion of the case, but wants a thorough investigation.

The lawyers showed anxiety for their clients, fearing that failure to raise the money within the 90 minutes would mean their detention overnight as the court, in observing the summer schedule, does not open in the afternoon.

22924

THE SHANGHAI TIMES, FRIDAY, JULY 9, 1937

COTTON CHIEFS WILL VISIT KULING

Tu Yueh-sen One Of Two Summoned By General Chiang Kai-shek

Three directors of the Shanghai Cotton Goods Exchange including Mr. Mo Nagu-tsu, chairman of the board of directors, and Mr. Tu Yueh-sen have gone to Kuling upon receiving an order from General Chiang Kai-shek, who wants to question them in regard to the cotton exchange scandal which has turned the market into utter confusion and for which two high officials of the Ministry of Finance have been detained. The two officials will be tried this morning again by the First Special District Court in an investigation hearing. More directors of the exchange have been ordered to go to Kuling. The Ministry of Industry has ordered for suspension of new dealings for this month. Cotton prices showed an upward trend yesterday but the exchange market was said to be not yet free from manipulation.

FILE

DBK. 9/7

22931

THE NORTH-CHINA DAILY NEWS, THURSDAY, JULY 8. 1937

ENQUIRY INTO YARN TRANSACTIONS

Hearing to be Resumed in Court To-morrow

Judiciary enquiry into recent transactions on the Chinese cotton yarn market is expected to be resumed to-morrow when several new witnesses are to be questioned by a procurator. Mr. Wu Chi-taing and Mr. Sheng Sheng-yi, officials of the Ministry of Finance, detained in Nanking in connection with the investigation have also been summoned to appear in court.

Following the personal investigation by Mr. Tsou Lin, Vice-Minister of Finance, which ended with the signing of a statement by brokers of the Chinese Cotton Goods Exchange absolving the two officials from complicity in speculation, the Bureau of Social Affairs and an official of the Ministry of Industry conducted a further enquiry on Tuesday when the brokers were required to go to the Bureau to answer questions relating to market and monetary transactions.

The fall in prices of cotton Yarn has meanwhile caused anxiety among proprietors of cotton mills. At a meeting, relief measures were discussed. It was said that those who had sold short are now manipulating the market, taking advantage of the Government enquiries.

22925

Million Dollar Fire In China Merchants Godown Illuminates Night Skies

Over 40,000 Bales Of Cotton Destroyed As Two Buildings Are Burnt To Ground; Explanation Is Completely Lacking In Mystery Blaze

FIRE FIGHTERS PROVIDE TOUCH OF COMIC OPERA WITH TACTICS

All Shanghai saw the sky reflection of a million dollar fire last night as flames completely destroyed two of the eight Yangkadoo godowns of the China Merchants Steam Navigation Company, Ltd. on the Pootung side of the river. The fire started at about 8.30 o'clock and burnt furiously for over two hours, ruthlessly defying the somewhat belated efforts of firemen to put it out.

One of the godowns destroyed was filled with cotton, while the other was said to have been filled with grain. Officials of the company interviewed last evening refused to hazard a guess as to what had caused the fire, nor could fire officers on duty give any explanation.

Nearly 100 armed guards employed by the company were close at hand when the fire broke out. In a state of considerable excitement they seized wash-basins and other available utensils and tried to douse the holocaust, their efforts proving pitifully inadequate. A few showed greater presence of mind and telephoned fire fighters in Pootung, Chapei and Nantao, where nearly all stations were working on skeleton crews due to the Greater Shanghai festivities.

Quick to answer the alarm was the Poochi, Shanghai's largest harbour fire boat, and other smaller fire boats also steamed to the scene, creating a din with their shrill whistles.

Brigade In Bandages

Unfortunately the nearest fire station in Pootung was hors de combat because the officer in charge and 10 of his subordinates were in bandages as a result of an accident in which their wagon turned over as they were speeding to attend the anniversary celebrations. This means that only three Pootung brigades were able to attend the fire, and these were hampered by the fact that water hydrants near the godown were rusted and not in working order.

The flames gained such headway in a short time that the firemen became mere spectators and found little to do save spray the adjacent six godowns with water to prevent the fire spreading. Having laid aside their wash basins, the guards drew their pistols and warned bystanders to maintain a respectful distance.

Thousands of people jammed the Chinese and French Bunds across the river, and everywhere in the city people took to their housetops. Some of the taller buildings in Shanghai afforded excellent vantage points. Throughout the evening calls poured into the offices of "The Shanghai Times" as subscribers asked for details of the fire.

At times the blaze resembled a great torch, probably due to the fact that a considerable quantity of crude oil had been stored in one of the godowns. Occasionally flames hundreds of feet in height licked the black night sky.

The tremendous heat generated by the fire kept all firemen at a safe distance, so that when a final check-up was made last evening its was ascertained that there were no serious injuries.

The fire was said to have originated in godown number six and later spread to number seven. All eight godowns were locked early in the evening after the wharf coolies had gone home for the day.

A representative of "The Shanghai Times" was told by witnesses at the scene of the fire that the flames made very rapid headway as soon as the alarm was given. The cotton in godown Number Six burnt extremely fast as the 40,000-odd bales were piled one on the other with no intervening floors. Each of the two godowns was about the same height as an ordinary three-storey building. Of semi-fireproof construction, their walls were of brick with metal roofing.

At a late hour last evening firemen were still hovering about the scene in order to prevent an outbreak in one of the other godowns and to pour water on the smouldering remains of what was more than a million dollars worth of cotton, oil and grain.

28894

Shanghai Times - Thursday, July 8, 1937.

Another Sensation In Cotton

Bottom Drops Out Of Market As Ministry Probes Scandals

While the Ministry of Industry is still investigating the recent Shanghai Cotton Goods Exchange scandal, in which prices of cotton and cotton yarn had an abnormal rise and for which two high officials of the Ministry of Finance are being detained by the Nanking authorities on suspicion of manipulation, confusion has broken out anew in the exchange market, now causing cotton prices to drop.

The reduction of prices is seriously affecting merchants who deal in cotton and cotton yarn, who have, through their Association, telegraphically petitioned General Chiang Kai-shek to intervene.

It is rumoured that merchants intend to petition the Government to increase the tax imposed on cotton cloth.

Manipulators Again?

Business on the Exchange was suspended on Monday as a result of the sudden and abnormal drop of prices. The price reduction showed a difference of $50 per picul as compared with the quotations on June 8.

It is generally believed that manipulators are still working hard.

To avoid wild speculation, cotton merchants have met and decided to warn against putting the inferior goods in the Exchange's godown. Merchants were asked to take out their goods from the Exchange and to exercise care in selling their goods in small quantities.

File
DR

2485

THE SHANGHAI TIMES, TUESDAY, JULY 6, 1937

* * *

Mr. Wu Ting-chang, Minister of Industry, and Mr. Chang Kia-ngau, Minister of Railways, arrived at Kuling yesterday afternoon. They left Nanking in the morning by plane for Kiukiang and went up to the mountain resort afterwards.

* * *

Ref.
attach to file on
Cotton Exchange scandal
DBR
7/7

22832

7985

THE CHINA PRESS, MONDAY, JULY 5, 1937

COTTON SPECULATION TRIAL CONTINUES

Two Officials Remain In Custody During Investigations

NANKING, July 4.—Messrs. Wu Chi-ting and Sheng Sheng-i, respectively Director of the Internal Revenue Administration and Director of the Consolidated Tax Bureau for Kiangsu, Chekiang, and Anhwei —charged with speculation on the Chinese Cotton Goods Exchange in Shanghai—are still under detention at the Ministry of Finance.

Meanwhile the affairs of the Internal Revenue Administration will be in charge of Mr. Fang Yuan-hsien, section chief. The affairs of the Consolidated Tax Administration for Kiangsu, Chekiang and Anhwei will be in charge of Mr. Lo Shou-peng, Deputy Director.

Mr. Wu Ting-chang, Minister of Industry, is stated to be in constant communication with General Chiang Kai-shek, President of the Executive Yuan, to whom he reports on latest developments.—Kuo Min.

The Shanghai Evening Post & Mercury, Friday, July 2, 1937

22788

High Officials Given Summons For Inquiries

Tax Officials To Face Court Investigation In Speculations

FIRST HEARING SLATED TOMORROW

Generalissimo Orders Study Of Activity On Exchange

Mr. Wu Chi-ting, director of the Internal Revenue Administration, and Mr. Sheng Shen-yi, director of the Kiangsu Consolidated Tax Bureau, now under surveillance in the Ministry of Finance in Nanking for their alleged manipulations on the Cotton and Cotton Goods Exchange, have been summoned to appear before the procurate of the First Special District Court at 9 o'clock tomorrow morning for judicial inquiry into their alleged speculations, it was learned from authoritative sources this morning.

Summoned to appear as witnesses are also three persons including Mr. H. Y. Moh, chairman of the board of directors of the Chinese Cotton and Cotton Goods Exchange, Avenue Edward VII. The identity of the two other witnesses, however, could not be ascertained although their surnames are known to be Tai and Yang. The preliminary questioning will be held at Courtroom No. 14 of the First Special District Court, North Chekiang Road. Procurator Soong Keng-san has been assigned to conduct the inquiry.

No Changes

According to the Chinese law of procedure, the sessions before the procurators do not imply that the summoned persons have been charged. The sessions are merely to be devoted to investigations although the procurators are entitled to order the detention of the summoned men or to hold them on bail in the event they consider the evidence against them would warrant an indictment.

It is doubtful, however, that the two Ministry of Finance officials will attend the session tomorrow morning inasmuch as they were still in Nanking up to press time. It is possible that they may be escorted to Shanghai on the afternoon or night expresses to be handed over to the judicial authorities. It could not be ascertained today if the session will be open to the public as the procurator has the right to bar spectators from the investigation court, not excepting the lawyers.

(Please Turn to Page 3)

Report Sent Chiang

It is learned that the First Special District Court action was promped by the Ministry of Industry which recently conducted a thorough survey into the market conditions on the Cotton and Cotton Goods Exchange. Aside from the administrative actions against the brokers, a confidential report is understood to have been sent to General Chiang Kai-shek by Minister Wu Ting-chang enumerating many prominent names as alleged manipulators.

General Chiang telegraphed orders to Shanghai and Messrs. Wu and Sheng left for Nanking Tuesday night. They are said to have been put under surveillance inside the Ministry of Finance building pending further investigation. It is also said in Nanking that other prominent persons, including some high officials, whose names were on the list sent General Chiang, will also be questioned and probably sent to the judicial authorities.

Mr. Wu has been director of the International Revenue Administration of the Finance Ministry since March, 1934. He is a returned student from America where he obtained his B. S. degree at Ohio University. Mr. Sheng is the seventh son of Sheng Kung-pao, the late Manchu regime statesman and industrialist who was the founder of the China Merchants' Steam Navigation Company.

FILE

22809

Tax Directors Must Face Trial For Speculation

Chiang Kai-shek Orders Officials Turned Over To Local Court; Vice-Ministers Find No Evidence Linking Men With Scandal

NANKING, July 3.—By order of General Chiang Kai-shek, President of the Executive Yuan, the Ministry of Industry has decided to turn over Messrs. Wu Chi-ting and Sheng Sheng-i, respectively Director of the Internal Revenue Administration and Director of the Consolidated Tax Bureau for Kiangsu, to the First Special District Court in Shanghai for trial on charges of speculation on the Chinese Cotton Goods Exchange.

The two officials, who have been under detention at the Ministry of Finance in the past few days, left for Shanghai yesterday by the night express in response to a summons from the Court.

It is learnt that the Court has designated Mr. Sung Keng-shan, Public Procurator, to investigate the case. Three witnesses—including Mr. Mu Ou-chu, Chairman of the Board of Directors of the Cotton Exchange, and two brokers—have also been summoned by the Court. —Kuo Min.

Vice-Ministers Statement

KULING, July 3.—With reference to the alleged complicity of Messrs. Wu Chi-ting and Sheng Sheng-i, respectively Director of the Internal Revenue Administration and Director of the Consolidated Tax Bureau for Kiangsu, in the recent Cotton Exchange scandal in Shanghai, Messrs. Tsou Lin and Hsu Kan, respectively Political and Administrative Vice-Ministers of Finance, have dispatched the following telegram to General Chiang Kai-shek, President of the Executive Yuan:

"In pursuance of your order, we have conducted an investigation, in conjunction with Mr. Wu Ting-chang, Minister of Industry, with a view to obtaining evidence against Wu Chi-ting and Sheng Sheng-i. During the investigation, however, no evidence against them was obtained."

Declaring themselves absolutely innocent of any connection with the cotton scandal, Messrs. Wu Chi-ting and Sheng Sheng-i have also telegraphed to General Chiang Kai-shek, requesting that a thorough inquiry be conducted with a view to ascertaining the actual facts.—Kuo Min.

Stock Exchange Not Involved

NANKING, July 3.—That the Shanghai China Merchants Stock Exchange is not affected by the recent scandal at the Chinese Cotton Goods Exchange, because of the entirely different nature of the two Exchanges, was explained by Dr. Ho Lien, Director of the Political Affairs Department of the Executive Yuan, prior to his departure for Kuling yesterday by steamer. Moreover, the recent cotton scandal was the result of speculation, and had nothing to do with the business of the Stock Exchange.

Asked whether or not the Government is contemplating the fixation of maximum and minimum limits for prices on the Stock Exchange, Dr. Ho said that, due to the gradual consolidation of the financial position of the Government and the improvement in the monetary and business situation, the prices of Government bonds are bound to rise. Such rise however would not be the result of speculation, and will not be restricted by the Government.

However, Dr. Ho added, should the prices of Government bonds drop without sufficient cause, the Government, in order to maintain their credit, will not permit them to fall below a definite limit. Moreover, the various banks will also be ready to buy and absorb them from the market as a general economic principle; such action can not be considered as speculation.—Kuo Min.

Investigation Hearing

An investigation hearing of the case was held in the First Special District Court yesterday without the presence of the two accused. Several witnesses were questioned by the court, including Mr. H. Y. Moh, chairman of the board of the Cotton Goods Exchange. Mr. Kwong Ta-wen, of the Ministry of Industry, submitted a written statement to the court. Handbills were distributed in the court denouncing the directors of the exchange and asking them to make good the losses sustained by exchange merchants.

Tax Directors Trial Launched

Pair Fail To Attend Hearing; Witnesses Tell Of Deals

The Ministry of Industry, during its thorough investigation into the alleged manipulations on the Chinese Cotton and Cotton Exchange, has discovered that Mr. Wu Chi-ting, director of the International Revenue Administration, did business on the market both in May and June, with transactions involving the buying and selling of some 20,000 bales of cotton yarn.

This was revealed by Mr. Kwong Ta-wen, head of the first section of the Commercial Department of the Ministry, when testifying in the initial session at the First Special District Court procurate this morning of the case against Mr. Wu and Mr. Sheng Shen-yi, director of the Consolidated Tax Bureau of Kiangsu, into charges of malfeasance of office. Both Mr. Wu and Mr. Sheng, however, did not attend the season. They are still in Nanking where it is said that they been put under surveillance at the Ministry of Finance.

Attendance Limited

The session this morning opened at 9.15 a.m. when Procurator Soong Keng-san, accompanied by his clerk, began the questioning of the five witnesses. It was not until 10.30 that the case was adjourned sine die. Admittance into the court room was strictly by tickets issued by the court. Only 30 persons, mostly press representative and exchange officials, attended the hearing.

A few minutes before the scheduled opening of the case, it was announced that the venue of the session has been changed from Court No. 14 to Court No. 6. The notice came too late for a handbill distributor, however, and a huge pile of printed bills denouncing the directors of the exchange was left unnoticed in the courtroom. The handbills declare that all of the speculators who lost money on the cotton exchange should demand compensation from the directors who failed to prevent the alleged manipulations.

Rumors are current on the cotton market today that another high official, to whom an $80,000 check paid for a cotton deal was traced, openly admitted his speculations but disclaimed judicial responsibility on the ground that although he was appointed, he never assumed the post.

Moh Questioned

Mr. H. Y. Moh, chairman of the board of directors of the cotton exchange, was the first witness questioned this morning. Procurator Soong explained to him that the case was referred to the court by the Ministry of Industry. He then proceeded to question Mr. Moh concerning the market fluctuations. The cotton and cotton yarn prices had been steadily rising since April, Mr. Moh told the procurator. It reached the peak of [illegible] on June 8. He declared that inflation rumors and lack of supply were the chief reasons for the rise but denied knowledge if the inflation rumor had been started by the two Ministry of Finance officials. He admitted that he has told Minister of Industry Wu Ting-chang that he "heard" that 'Sheng Lau Chi" or "the Sevenths of the Sheng Family," meaning Sheng Shen-yi, was one of the figures in the long position. It was mere hearsay, he reiterated.

He promised the procurator every cooperation in the judicial inquiry into the case, adding that such an action will do good not only to the exchange itself but also the cotton industry in general.

Surveys Described

Mr. Kwong of the Ministry of Industry then took the stand. He outlined the surveys conducted by the Ministry and recalled the rumors about Mr. Sheng's speculations on the market, both from Mr. Moh and from Mr. Yu Ya-ching. "While the brokers declare that they have turned over all of their books to the Ministry, the Ministry still believes that the books showing the banking connections have not yet been submitted," Mr. Kwong declared.

As far as the available books show, Mr. Wu, the Ministry representative continued, bought 2150 bales of cotton yarn in May and sold some 3850 the same month. In June, the transaction involved the buying of over 5000 bales of cotton and the selling of 5500 bales. He submitted to the court a written statement, the contents of which were not divulged in open court.

Books Produced

A book belonging to the Yuan Dah Brokerage containing an item showing the name Mr. Wu Chi-ting figured in the second part of the questioning. The Yuan Dah, it was revealed, is a brokerage firm dealing in government bonds. The entrance in the book shows one Yuan Kee A, under which is entered the phrase "Tai Hsin-hua for Wu Chi-ting."

While the procurator suggested that the client Yuan Kee A is actually Mr. Wu, the brokerage officials declare that Mr. Wu's name was merely put down as a source of reference to check on the client, Mr. Tai. Mr. Tai was employed in the Kiangsu-Chekiang Bank of which Mr. Wu was managing director. Both the brokerage firm and Mr. Tai revealed that the latter has done transactions in $300,000 worth of bonds. When the procurator questioned Mr. Tai's financial standing, the witness declared that he holds $6000 in shares in a $30,000 cotton hong and that he has private property sufficient to cover the biggest possible loss of $12,000 from the $300,000 bond deal.

Session Adjourned

At this point, the procurator decided to adjourn the session.

Messrs. Wu and Sheng are unlikely to be sent to Shanghai. Nanking reports declare that Messrs. Tsou Lin and Hsu Kan, vice-Ministers of finance who questioned the two officials at their Ministry, have already telegraphed to General Chiang Kai-shek in Kuling that they could not find any evidence against the two officials.

The Shanghai Evening Post & Mercury, Thursday, July 1, 1937

27767

High Officials Accused Of Part In Mart Turmoil

Revenue Office Chief, Tax Bureau Director Called To Nanking

GENERAL CHIANG ORDERS INQUIRY

Names Of Others Said Included In Report By Wu Ting-chang

Nanking's big guns against market manipulators roared more fierce today when it was revealed that two prominent high officials of the Ministry of Finance have been summoned to the capital city and told to remain there until further notice by General Chiang Kai-shek. A thorough investigation in the charges that they allegedly played a part in the recent turmoil at the Shanghai Chinese Cotton and Cotton Goods Exchange is being made.

The officials are:

Mr. Wu Chi-ting, director of the Internal Revenue Administration of the Finance Ministry since March, 1934, and

Mr. Sheng Shen-yi, director of the Kiangsu Consolidated Tax Bureau and the seventh son of Sheng Kung Pao, the multi-millionaire statesman and industrial magnate of the Manchu regime who, among other things, founded the China Merchants' Steam Navigation Company.

Left Last Night

The two officials were ordered to go to Nanking by General Chiang Kai-shek, president of the Executive Yuan and chairman of the Military Affairs Commission, on Tuesday. They left for the capital city by the night express that night. Rumors were current that they had been removed of their posts but these could not be confirmed. It is understood that they are allowed liberty to move about in Nanking but not permitted to leave the capital city until further orders from the generalissimo who is now in Kuling.

Messrs. Wu and Sheng's names are said to have been among many mentioned in the confidential report filed by Mr. Wu Ting-chang, Minister of Industry, to General Chiang following his thorough survey into the books of the brokers of the Cotton and Cotton Goods Exchange. The names of other high officials in the government are also said to have been mentioned in Minister Wu's report which is now under close scrutiny in Kuling.

Drastic Action

Before submitting his report to General Chiang in connection with the alleged speculation on the market by public officials, Minister Wu took strict and drastic action on the exchange last week-end. A director of the exchange was dismissed from his post and three cotton hongs deprived of registration to deal on the market while nine brokerage firms were fined $5000 each. The administrative decision is understood to have been promptly

Messrs. Wu and Sheng are the second and third officials involved in such cases during the month concluded yesterday. Earlier in June, Mr. Tsou Ming-chu, a nephew of Mr. Tsou Lu, the prominent Central Executive Committee member and chancellor of the Chungshan University in Kwangtung, was deprived of his post as member of the Kwangtung provincial government, put under arrest and escorted to Nanking. Whether their cases are to be forwarded to law courts or referred to the Central Public Officials Disciplinary Committee could not be ascertained today.

Educated In Ohio

Mr. Wu Chi-ting is a native of Chekiang. He was educated in the Ohio University, America, where he obtained his B.S. degree. Between 1931 and 1933, he was director of the wine, rolled tobacco and stamp tax bureau of Chekiang.

Transactions on the cotton exchange are suspended today and tomorrow for the conclusion of the fiscal year and the settlement on cotton and cotton yarn deals will take place Saturday and Monday respectively. In yesterday's trading, the prices dropped sharply as the brokers who had been in long position and who had been given disciplinary measure dumped their holdings on the market. No less than 14,750 bales of cotton yarn and 64,700 piculs of cotton changed hands yesterday.

Meanwhile, fresh trouble looms at the flour exchange where the government supervisors summoned directors for a conference to discuss the market condition during the last few days when prices rose sharply. Measures to check a further rise of prices and manipulation by outsiders will be ordered shortly.

22771

THE SHANGHAI TIMES, FRIDAY, JULY 2, 1937

TWO OFFICIALS SAID HELD IN NANKING

Cotton Goods Exchange Suspension Recalled By Investigation

On suspicion that they were involved in the recent manipulation of the Shanghai Cotton Goods Exchange, which caused much confusion in the market and the suspension of the exchange, two high officials were escorted to Nanking on Wednesday night by order of General Chiang Kai-shek.

These two officials are reportedly Messrs. Wu Chi-ting, director of the Internal Revenue Administration of the Ministry of Finance, and Mr. Sheng Shen-yi, director of the Kiangsu Consolidated Tax Bureau and the seventh son of Sheng Kung-pao, the multi-millionaire statesman of the Manchu regime.

It is further reported that they will be allowed to move about freely in the capital but not to leave there until further orders from the generalissimo, to whom a detailed list of alleged manipulators has been sent by the Minister of Industry, Mr. Wu Ting-chang, who is personally conducting investigations.

22746

Chinese Cotton Goods Exchange Scandal Here Has Government Action

Ministry Of Industry Issues Orders For Punishment Of Directors, Operators And Supervisors; Heavy Fines Imposed And Dismissals Are Ordered

LACK OF SUPERVISION IS CHARGED TO REPRESENTATIVES OF GOVERNMENT

NANKING, June 29.—Stern measures have been adopted by the Ministry of Industry for the punishment of those responsible for the recent crisis on the Chinese Cotton Goods Exchange in Shanghai.

In orders issued to the Board of Directors of the Exchange, the Greater Shanghai Municipal Bureau of Social Affairs, and the Government delegates on the Board of Supervisors of the Shanghai (Bond and Commodities) Exchanges (Messrs. Wang Hsiao-lai and Yu Kai-chan), the Ministry orders:

1.—The dismissal of Mr. Wu Jui-yuan, a member of the Board of Directors of the Chinese Cotton Goods Exchange.

2.—Cancellation of the registration of three brokers of the Exchange.

3.—Imposition of a fine of $5,000 each on nine firms involved in the scandal.

The following is a full translation of the Ministry's orders:

Exchange Directors

To the Exchange's Board of Directors: "With reference to the recent trouble on the Exchange, the thorough investigation conducted by this Ministry has revealed that Director Wu Jui-yuan is guilty of violating Article 23, Section 4, and Article 42 of the Exchange Law. He should first be dismissed from his post.

"Brokers Nos. 15 (Yu Ta), 35 (Shen Ta), and 38 (Hua Mou) are guilty of violating Articles 13 and 42 of the Exchange Law. Their registration should first be cancelled.

Broker No. 53 (Tan Chang Cheng) is guilty of violating Article 42 of the Exchange Law, and should first be temporarily suspended from business transactions.

"This order should be transmitted by the Board of Directors (to those concerned) for observance. The latter should also be instructed to await further investigation and punishment in accordance with law."

Another order to the Board States: "During the months of May and June, trouble resulting from manipulation by certain persons repeatedly occurred on the Chinese Cotton Goods Exchange.

"The Board did not adopt preventive measures beforehand, and failed to adopt suitable measures to cope with the trouble.

"Moreover, it failed to report the matter to this Ministry and to request the latter to dispatch representatives to conduct an investigation.

"This is a glaring instance of negligence, for which the Board is hereby severely reprimanded.

"The Board is hereby ordered to report, within a week, the names of those responsible for the manipulation of the market during the months of May and June resulting in the serious trouble. No delay should be caused in submitting the report, which would be contrary to Article 42 of the Exchange Law."

Social Affairs Bureau

To the Shanghai Bureau of Social Affairs: "With reference to the recent trouble on the Chinese Cotton Goods Exchange, investigations conducted by this Ministry have revealed that nine firms—Cheng Ta, Yuan Ta, I Ta, Hsin Ta, Mei Ta, Fu Chi Kung Ssu, Yu Chi, Chuan Chi and Hua Mou—are guilty of violating Article 16 of the Exchange Law.

"In accordance with Article 47 of the same Law, each of them is hereby fined $5,000, and is prohibited from carrying on further transactions on the Exchange. This order should be strictly enforced by your Bureau, which should instruct them to await further investigation and punishment in accordance with law."

Another order to the Bureau states: "According to Article 16 of the Exchange Law, no one is permitted to regard transactions on the exchange as an occupation.

"It is recently reported that this provision has been violated by numerous firms and merchants in Shanghai, seeking illegitimate profit. This is in flagrant violation of law.

"Your Bureau is hereby ordered to conduct thorough investiations and instruct the Boards of Directors and the brokers of the various Exchanges to report all cases of violation of this provision, so that the guilty may be punished and prohibited from further transactions in accordance with Article 47 of the Exchange Law."

Supervisors Reprimanded

To the Government Supervisors (Messrs. Wang Hsiao-lai and Yu Kai-chan): "During the months of May and June, manipulations by certain persons led to repeated trouble on the Chinese Cotton Goods Exchange.

"The Supervisors failed to pay attention to the reasons for the change of market prices and to telegraph to the Ministry to adopt preventive measures, in accordance with Article 42 of the Exchange Law.

"This is a flagrant instance of negligence. Though they exerted themselves in assisting the Ministry (Wu Ting-chang) in the investigation at Shanghai, they however failed to [illegible]

SPECIAL BRANCH 30 JUNE 1937 SHANGHAI MUNICIPAL POLICE

S. 1
attach to file